

ISLAND COUNTY FIRE PROTECTION DISTRICT NO. 3
Island County, Washington
January 1, 1993 Through December 31, 1994

Schedule Of Findings

1. The District Should Improve Controls Over Eating And Drinking At Public Expense

The district holds annual banquets for the volunteer fire fighters. The district estimates the annual cost of the banquets is between \$3,000 and \$4,000. Commissioners and their spouses, paid employees and their spouses, and spouses of the volunteers are invited to attend. It is the district's policy to pay for the attendance of the invited spouses. The district estimates that between \$1,500 and \$2,000 is spent annually for the attendance of spouses.

An attorney general memorandum dated May 14, 1987, discussing volunteer workers, states in part on page 12:

. . . where a municipal corporation could have employed a party for compensation to perform some duty for the municipality, there is implied authority to . . . provide meals or refreshments to those people in-lieu-of (or in some cases to supplement) monetary compensation.

This implied authority to provide meals in-lieu-of compensation extends only to the volunteer, not to the spouse or relative of the volunteer.

District officials appear to have been unaware of the legal requirements governing the expenditure of public funds for meals.

We recommend the district no longer use public funds to pay for the meals of employees' and volunteers' spouses.

2. Island County Fire Protection District No. 3 Should Not Increase Compensation After Services Are Performed

On December 2, 1993, the board of fire commissioners awarded "Merit Awards for outstanding job performances for 1993" to the three full-time district employees after the services were performed. The district secretary was awarded \$500, the former chief \$300, and the assistant chief \$300.

The awarding of bonuses, which was not mentioned and/or part of any of the employment contracts the employees signed while employed by the district, violates the Washington State Constitution, Article II, Section 25, which states in part:

The legislature shall never grant any extra compensation to any public officer, agent, employee, servant, or contractor, after their services shall have been rendered

Additionally, such a payment may be characterized as a gift of public funds which is precluded by Article VIII, Section 7 of the Washington State Constitution, which states in part:

No county, city, town or other municipal corporation shall hereafter give any money, or property, or loan any money, or credit to or in aid of any individual, association, company or corporation, except for the necessary support of the poor and infirm

Awarding additional compensation for services already rendered results in the unnecessary and improper use of public funds.

The board of commissioners was not aware of the illegality of these payments at the time they were made.

We recommend the board of commissioners not increase compensation to employees after the services have been rendered.

We further recommend the board of commissioners seek reimbursement for the improper payment from the former chief, the assistant chief, and the secretary.

3. Local Moneys Received Should Be Receipted

During the two year audit period, the district only receipted \$888.31 in local moneys received at the district office. According to Island County's general ledger, the district deposited \$63,664.00 in local receipts to their account at the Island County Auditor's Office. Of this money, \$62,775.69 had not been receipted in at the local level. In addition, a Rediform receipt book was being used. Further, the district did not keep an accurate journal of cash receipts, as they were unable to reconcile these to the deposits made with the county. Also, the district deposited some receipts into the petty cash imprest fund rather than the district's account at the county.

RCW 43.09.200 states in part:

The system shall exhibit true accounts and detailed statements of funds collected, received, and expended for account of the public for any purpose whatever, and by all public officers, employees, or other persons.

The accounts shall show the receipt, use, and disposition of all public property, and the income, and the amount due therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction.

These weaknesses make it difficult to determine if all funds received by the district were deposited with the county treasurer.

Good internal controls require that all local moneys received be receipted in an official prenumbered receipt book, deposited into the district's Island County account, recorded in a journal, and the journal reconciled to the county's reports. Not writing receipts prevents district records from being properly audited.

Proper procedures for receipting local moneys were communicated to the district during the prior audit.

We recommend Fire Protection District No. 3 obtain and use a prenumbered receipt book with the district's name preprinted on the deposits.

We recommend the district deposit all receipts to the district's account with the county.

We further recommend the district keep an accurate journal of local cash receipts, and reconcile that journal to the county's record of the district's receipts.

4. Advance Travel Fund Should Be Operated Correctly

Our audit of this fund revealed that it was being used for making direct payments to vendors and reimbursements to employees.

RCW 42.24.120 states in part:

Such advances shall be made under appropriate rules and regulations to be prescribed by the state auditor.

The *Budgeting, Accounting and Reporting System* (BARS) manual (Volume 1, Part 3, Chapter 3) states in part:

The Advance Travel Expense Account must be used solely for travel expenses, not direct payments to vendors . . . It must not be used for personal loans, payments of airline tickets, pre-registration fees, reimbursements to employees or officers for travel already incurred

As a result of the lack of compliance, this account was used to pay for expenses which should more properly have been paid through the voucher system.

It appears that the district was unaware of this requirement.

We recommend the Advance Travel Fund for Fire Protection District No. 3 be operated under the rules and regulations prescribed by the State Auditor's Office.

5. Internal Control Procedures For Revolving Funds Should Be Improved

Our audit of the petty cash revolving fund and the advance travel fund of Fire Protection District No. 3 revealed the following weaknesses:

- a. Neither account has been reconciled to the bank statements for at least two years.
- b. The district transfers funds from one account to the other when one of the revolving accounts becomes overdrawn.
- c. Some receipts are up to seven months old before they are submitted for reimbursement.
- d. The custodian handles all of the procedures associated with the revolving funds; there is no segregation of duties.

We also noted the petty cash account was used for expenses which should more properly be paid through the voucher system. Among these expenses were weekly payroll payments to employees totaling \$8,920.94.

The above problems appear to be due to a lack of knowledge in handling revolving funds and not being familiar with prescribed procedures contained in the BARS manual. Several of these weaknesses were communicated to the district during the prior audit.

As a result of the weaknesses noted, there is increased risk that errors or irregularities may occur in these revolving funds and not be detected in a timely manner.

We recommend the revolving fund duties be segregated to ensure that no one person handles all portions of a transaction and that these funds be reconciled by someone other than the custodian. We recommend that the custodian review the prescribed procedures outlined in the BARS manual. We also recommend that all payroll expenditures be made through the payroll warrant system.